

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

February 12, 2004

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Health Care
5300 West Sam Houston Parkway North
Houston, Texas 77041

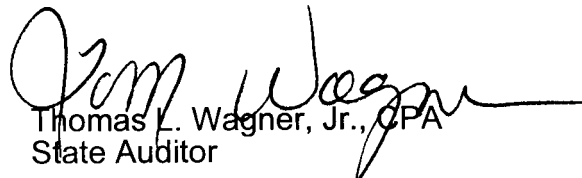
Re: AC# 3-FAI-J0 – GranCare South Carolina, Inc. d/b/a Faith Health Care Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**GRANCARE SOUTH CAROLINA, INC.
D/B/A FAITH HEALTH CARE CENTER**

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-FAI-J0**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 13, 2003

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Faith Health Care Center, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Faith Health Care Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

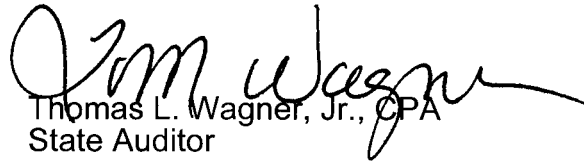
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Faith Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report .
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Faith Health Care Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 13, 2003

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

FAITH HEALTH CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-FAI-J0

10/01/01-
12/31/02

Interim Reimbursement Rate (1)	\$85.25
Adjusted Reimbursement Rate	<u>81.46</u>
Decrease in Reimbursement Rate	\$ <u><u>3.79</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

FAITH HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through December 31, 2002
AC# 3-FAI-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.72	\$53.97	
Dietary		8.28	10.74	
Laundry/Housekeeping/Maintenance		<u>8.29</u>	<u>9.23</u>	
Subtotal	<u>\$5.18</u>	56.29	73.94	\$56.29
Administration & Medical Records	<u>\$2.41</u>	<u>9.06</u>	<u>11.47</u>	<u>9.06</u>
Subtotal		65.35	<u>\$85.41</u>	65.35
<u>Costs Not Subject to Standards:</u>				
Utilities		1.97		1.97
Special Services		.91		.91
Medical Supplies & Oxygen		1.96		1.96
Taxes and Insurance		1.32		1.32
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$71.51</u>		71.51
Inflation Factor (3.80%)				2.72
Cost of Capital				5.65
Cost of Capital Limitation				(.32)
Profit Incentive (Max. 3.5% of Allowable Cost)				2.41
Cost Incentive				5.18
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.84)
Nurse Aide Staffing Add-On 10/01/00				<u>.15</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$81.46</u>

FAITH HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-FAI-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,462,768	\$ 39,245 (6) 5,402 (7) 11,405 (13)	\$ 39,245 (6) 17,912 (7) 2,788 (8) 556 (14) 6,955 (14)	\$1,451,364
Dietary	314,580	999 (11) 64,802 (13)	13,381 (2) 1,739 (7) 62,856 (14)	302,405
Laundry	90,007	10,098 (13)	17,226 (14)	82,879
Housekeeping	120,755	19,933 (13)	5,778 (14)	134,910
Maintenance	88,409	434 (8) 14,553 (13)	475 (7) 17,622 (14)	85,299
Administration & Medical Records	384,944	31,040 (13) 8,868 (13)	3,000 (3) 1,594 (7) 108 (7) 36,589 (8) 2,423 (9) 8,763 (11) 117 (11) 20,654 (12) 18,448 (14) 2,185 (14)	330,971
Utilities	81,435	24 (8) 13,406 (13)	6,965 (3) 999 (11) 15,033 (14)	71,868
Special Services	35,000	673 (9)	702 (7) 1,897 (10)	33,074

FAITH HEALTH CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-FAI-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	91,375	-	5,506 (5) 9,194 (9) 5,126 (14)	71,549
Taxes and Insurance	77,172	12,135 (13)	31,343 (4) 95 (8) 9,673 (14)	48,196
Legal Fees	-	-	-	-
Cost of Capital	268,869	1,816 (13)	6,860 (1) 19,331 (8) 8,919 (14) 29,116 (15)	206,459
Subtotal	3,015,314	234,833	431,173	2,818,974
Ancillary	798	7,639 (2) 5,506 (5)	-	13,943
Nonallowable	251,953	6,860 (1) 5,742 (2) 31,343 (4) 17,128 (7) 58,345 (8) 10,944 (9) 1,897 (10) 8,880 (11) 20,654 (12) 170,377 (14) 29,116 (15)	188,056 (13)	425,183
Total Operating Expenses	<u>\$3,268,065</u>	<u>\$609,264</u>	<u>\$619,229</u>	<u>\$3,258,100</u>
Total Patient Days	<u>36,541</u>	<u>-</u>	<u>-</u>	<u>36,541</u>

Total Beds 104

FAITH HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-FAI-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 29,326	
	Other Equity	6,524	
	Nonallowable	6,860	
	Fixed Assets		\$ 35,850
	Cost of Capital		6,860
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	5,742	
	Ancillary	7,639	
	Dietary		13,381
	To reclassify expense to the proper cost center and disallow expense due to lack of adequate documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
3	Retained Earnings	9,965	
	Medical Records		3,000
	Utilities		6,965
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
4	Nonallowable	31,343	
	Taxes and Insurance		31,343
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Ancillary	5,506	
	Medical Supplies		5,506
	To reclassify prescription drug expense to the proper cost center DH&HS Expense Crosswalk		

FAITH HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-FAI-J0

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Restorative Nursing	39,245	39,245
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Restorative Nonallowable	5,402 17,128	
	Nursing		17,912
	Dietary		1,739
	Maintenance		475
	Administration		1,594
	Medical Records		108
	Special Services		702
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Maintenance	434	
	Utilities	24	
	Nonallowable	58,345	
	Nursing		2,788
	Administration		36,589
	Taxes and Insurance		95
	Cost of Capital		19,331
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Special Services	673	
	Nonallowable	10,944	
	Administration		2,423
	Medical Supplies		9,194
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

FAITH HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-FAI-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Special Services	1,897	1,897
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
11	Dietary	999	
	Nonallowable	8,880	
	Administration		8,763
	Medical Records		117
	Utilities		999
	To offset income against related expense HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
12	Nonallowable	20,654	
	Administration		20,654
	To remove cost applicable to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
13	Restorative	11,405	
	Dietary	64,802	
	Laundry	10,098	
	Housekeeping	19,933	
	Maintenance	14,553	
	Administration	31,040	
	Medical Records	8,868	
	Utilities	13,406	
	Taxes and Insurance	12,135	
	Cost of Capital	1,816	
	Nonallowable		188,056
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

FAITH HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-FAI-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nonallowable	170,377	
	Nursing		556
	Restorative		6,955
	Dietary		62,856
	Laundry		17,226
	Housekeeping		5,778
	Maintenance		17,622
	Administration		18,448
	Medical Records		2,185
	Utilities		15,033
	Taxes and Insurance		9,673
	Medical Supplies		5,126
	Cost of Capital		8,919
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
15	Nonallowable	29,116	
	Cost of Capital		29,116
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>655,079</u>	\$ <u>655,079</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

FAITH HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-FAI-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>104</u>
Deemed Asset Value	3,873,584
Improvements Since 1981	408,273
Accumulated Depreciation at 9/30/00	<u>(819,222)</u>
Deemed Depreciated Value	3,462,635
Market Rate of Return	<u>.058</u>
Total Annual Return	200,833
Return Applicable to Non-Reimbursable Cost Centers	(33,767)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	167,066
Depreciation Expense	63,858
Amortization Expense	195
Capital Related Income Offsets	(15,741)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,919)</u>
Allowable Cost of Capital Expense	206,459
Total Patient Days (Minimum 96% Occupancy)	<u>36,541</u>
Cost of Capital Per Diem	\$ <u><u>5.65</u></u>

FAITH HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-FAI-J0

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>5.65</u>
Cost of Capital Per Diem Limitation	<u>\$(.32)</u>

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